



SACHI A. HAMAI
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

"To Enrich Lives Through Effective And Caring Service"

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August 16, 2016

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

21 August 16, 2016

LORI GLASGOW
EXECUTIVE OFFICER

**INTRODUCE AND SCHEDULE FOR ADOPTION AN ORDINANCE TO AMEND
AN EXISTING PROPRIETARY PETROLEUM PIPELINE FRANCHISE
(SECOND AND FOURTH DISTRICTS)
(3 VOTES)**

SUBJECT

Approval of an ordinance to amend the existing proprietary petroleum pipeline franchise granted to Paramount Petroleum Corporation by Ordinance No. 2006-0055F, as amended, to extend the term of the franchise to December 31, 2021.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that this action is categorically exempt under the California Environmental Quality Act pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board on November 17, 1987, and Section 15301 (Existing Facilities) of the State of California Guidelines for the implementation of the California Environmental Quality Act.
2. Approve the introduction and schedule for adoption on the August 23, 2016 agenda, an ordinance to amend the existing proprietary petroleum pipeline franchise granted to Paramount Petroleum Corporation by Ordinance No. 2006 0055F, as amended, to extend the term of the franchise to December 31, 2021.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of these actions is to approve the introduction and schedule for adoption on August 23, 2016, an ordinance to amend the existing proprietary petroleum pipeline franchise granted to Paramount Petroleum Corporation (Paramount) by Ordinance No. 2006-0055F, as amended, to extend the term of the franchise from December 31, 2016 to December 31, 2021.

Extending the term of the Paramount franchise will allow additional time for the Chief Executive Office and County Counsel to finalize revisions to the County's franchise codes and request the Board of Supervisors (Board) to approve the proposed revisions to the County of Los Angeles (County) Highway Code, before renewing the Paramount franchise for a longer term.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan Goal of Operational Effectiveness/Fiscal Sustainability (Goal 1) directs that we maximize the effectiveness of processes, structure, operations, and strong fiscal management to support timely delivery of customer-oriented and efficient public services. Adopting an ordinance to amend to Paramount franchise is consistent with this goal.

FISCAL IMPACT/FINANCING

The County has received a one-time fee of \$2,500 to process an ordinance to amend the Paramount franchise. Paramount will continue to pay a base annual fee of \$3,495 for its 12,666 linear feet of various diameter pipelines (6", 8", 10") installed in County highways in the Rancho Dominguez and East Rancho Dominguez unincorporated areas, calculated using the linear footage formula in the Paramount franchise. The terms for annual payment in the Paramount franchise require the base annual fee to be adjusted upward annually for inflation with an adjustment factor calculated using the Producers Price Index. Paramount paid the County an adjusted annual franchise fee of \$4,247 for the 2015 calendar year.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On July 25, 2006, the Board adopted Ordinance No. 2006-0055F, which granted a proprietary petroleum pipeline franchise to Paramount for a term through October 14, 2015. The Paramount franchise was amended administratively in July 2008 to reflect a change in control of the franchise when Paramount's stock was acquired by Alon USA Energy, Inc. (Alon), and Paramount became Alon's wholly-owned subsidiary.

In March 2015, the Board adopted Ordinance No. 2015-0007F, to amend the Paramount franchise to transfer a portion of Paramount's franchise rights to Cardinal Pipeline L.P. (Cardinal), for pipeline Paramount sold to Cardinal in the South Whittier unincorporated area, and extend the term of the franchise through December 31, 2016.

At one time, Paramount's refinery in Paramount, California was the largest producer of asphalt in the State; however, due to high fuel costs and low demand for asphalt, crude oil products and asphalt have not been refined and marketed from Alon's California refinery since 2012.

However, Paramount is entering into the bio-fuel market. In conjunction with AltAir Paramount, LLC (AltAir), it is now using the pipeline installed in County highways to transport diesel fuel from storage tanks in Carson to the Paramount refinery, where it's mixed with converted byproducts (tallow) to produce petroleum replacement fuels that are fully compatible and require no modification for use by factory-standard engines.

Paramount and AltAir are currently using existing and new equipment at the Paramount refinery to produce bio-jet fuel, which is being purchased by United Airlines, which just made history for being the first U.S. airline to use commercial-scale volumes of sustainable aviation biofuel on regularly-scheduled flights departing Los Angeles International Airport. The Paramount refinery is also producing marine bio-fuels now being purchased by the U.S. Navy fuel depot in San Pedro.

The Department of Public Works has reviewed this recommendation and expressed no objection. County Counsel has reviewed and approved as to form the ordinance to amend the Paramount franchise.

ENVIRONMENTAL DOCUMENTATION

This action is categorically exempt under the California Environmental Quality Act (CEQA) pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board on November 17, 1987, and Section 15301 (Existing Facilities) of the State CEQA Guidelines.

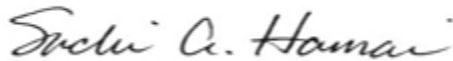
IMPACT ON CURRENT SERVICES (OR PROJECTS)

This project will not impact or negatively affect current services or future projects.

CONCLUSION

It is requested that the Executive Office, Board of Supervisors, return certified copies of the adopted Board recommendation and the certified ordinance to Mr. Stephen Peyton, Manager of Pipeline Operations, Paramount Petroleum Corporation, 14700 Downey Avenue, Paramount, CA 90723. Additionally, please return a certified copy of the Minute Order, the adopted and stamped Board recommendation, and the Certified Ordinance to the Department of Public Works, and the Chief Executive Office, Real Estate Division at 222 South Hill Street, 3rd Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,



SACHI A. HAMAI
Chief Executive Officer

SAH:DPH:CMM
KW:RB:kb

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Public Works